

Message Text

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ORIGIN EA-10

INFO OCT-01 ISO-00 AGR-05 CEA-01 CIAE-00 COME-00 DODE-00

EB-07 FRB-03 H-01 INR-07 INT-05 L-02 LAB-04 NSAE-00

NSC-05 PA-01 AID-05 CIEP-01 SS-15 STR-01 TAR-01

TRSE-00 PRS-01 SP-02 OMB-01 NSCE-00 SSO-00 USIE-00

INRE-00 /079 R

DRAFTED BY EA/K - MR MAYHEW:CHG

APPROVED BY EA - MR EDMOND

EB/ORF/ICD/FTD - WILLIAMS

AGRICULTURE: RSHEGOGUE

AGRI, FAS - MR WOODLING

FFP/RPE/AID - MR FARNHAM

EXIM - MR MINIKES

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FM SECSTATE WASHDC

TO AMEMBASSY SEOUL IMMEDIATE

C O N F I D E N T I A L STATE 039961

E.O. 11652: GDS

TAGS: OVIP, KS

SUBJECT: VISIT OF DEPUTY PRIME MINISTER NAM

1. DPM NAM VISITED U.S. FROM FEB 12 TO 21. HE WAS IN NEW YORK CITY FROM 12TH TO 17TH AND IN WASHINGTON FROM 17TH TO 21ST. ON THE WHOLE NAM VISIT WENT WELL. MINISTER YANG OF KOREAN EMBASSY TOLD DEPT OFF THAT KOREANS THOUGHT THEY DID QUOTE EXCEPTIONALLY WELL UNQUOTE BRINGING NAM INTO PERSONAL CONTACT WITH KEY U.S. OFFICIALS HE HAD WANTED TO SEE. ON SUBSTANTIVE SIDE YANG SAID THREE MOST IMPORTANT GOALS OF VISIT WERE ASSURANCE OF EXIM FINANCING FOR KORI II NUCLEAR POWER STATION, ADDED PL 480 ASSISTANCE, AND IBRD PROGRAM LOAN. ONLY ON PL 480 DID RE-CONFIDENTIAL

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SULTS QUOTE FALL SOMEWHAT BELOW EXPECTATIONS, UNQUOTE

BUT KOREANS HOPED FOR FURTHER ASSISTANCE IN CY 75 FROM U.S. FY 76 PL 480 PROGRAM. FROM U.S. POINT OF VIEW, NAM WAS FORTHCOMING ON BOTH COTTON CONTRACT PROBLEM AND NEW TEXTILE BILATERAL AGREEMENT.

2. IBRD AND IMF. BOTH YANG AND IBRD SOURCE SAID THAT \$107 MILLION LOAN FOR IMPORT OF CAPITAL AND INTERMEDIATE GOODS WAS BEING PROCESSED WITHIN BANK AND NEGOTIATIONS ON ITS TERMS WOULD BEGIN SHORTLY. NAM ALSO ASKED IN GENERAL WAY FOR SUPPORT OF AGRICULTURE AND RURAL DEVELOPMENT WHICH BANK CONSIDERING. IMF DISCUSSIONS APPARENTLY MUCH MORE GENERAL, LARGELY DUE TO FACT IMF MISSION NOW IN KOREA.

3. PL 480: DEPT INFORMED NAM THAT EMBASSY WILL SHORTLY BE AUTHORIZED TO EXCHANGE NOTES FOR SECOND TRANCHE OF FY 75 PL 480 RICE, VALUED AT \$24 MILLION, AND, BARRING EMERGENCY NEEDS, WE SHOULD BE ABLE TO CONFIRM THIRD TRANCHE OF \$30 - \$25 MILLION IN NEAR FUTURE, FOR AN FY 1975 TOTAL OF BETWEEN \$68 AND \$74 MILLION. IN CALL ON AGRICULTURE SECRETARY BUTZ, NAM SAID THAT KOREA NEEDED 400,000 TONS OF WHEAT AND 200,000 TONS OF RICE IN CY 75. SECRETARY BUTZ POINTED OUT COMMODITY SUPPLY SITUATION AND CONGRESSIONAL PROBLEMS IN REGARD WHOLE PL 480 PROGRAM PARTICULARLY WITH RESPECT TO 70-30 PROBLEM OF TITLE I PROGRAM. NAM EXPRESSED DISAPPOINTMENT TO STATE OFFICIALS OVER SIZE OF PL 480 ALLOCATION. THIS APPARENTLY PARTLY DUE TO MISUNDERSTANDING OVER WHETHER ALLOCATION BASED ON CY OR OUR FY. NAM MADE STRONG PLEA FOR FURTHER PL480 ASSISTANCE IN CY 75.

4. COTTON CONTRACTS. SENIOR USG OFFICIALS WITH WHOM NAM CAME INTO CONTACT STRESSED IMPORTANCE OF KOREAN PURCHASERS HONORING COTTON CONTRACTS, AND NAM AGAIN SAID KOREANS WOULD DO SO. HE OUTLINED SCHEME TO DEPARTMENT FOR CLEARING REMAINING 1974 CONTRACTS BY DEFERRAL OF DELIVERY DATES, USE OF 1974 USANCE CREDITS OF \$17 MILLION AND USE OF \$10 MILLION OF SECOND \$50 MILLION OF CCC FUNDS. NAM PROPOSED TO CLEAR UP PAST DUE 1975 CONTRACTS IN FEBRUARY AND MARCH AND TO MEET REMAINDER OF 1975 CONTRACTS AS THEY FALL DUE THROUGH USE OF \$40 MILLION OF SECOND

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CCC CREDIT, \$75 MILLION OF USANCE CREDIT, AND \$150 MILLION OF NEW CCC FUNDS. HE WAS TOLD \$150 MILLION OF NEW CCC FUNDS IMPOSSIBLE, BUT THAT WE WOULD BE PREPARED TO RECOMMEND TO NAC A CCC LOAN OF UP TO \$75 MILLION IN RETURN FOR ABSOLUTE ASSURANCE THAT ALL CONTRACTS WOULD BE HONORED ON AN AGREED SCHEDULE. NAM SAID HE WOULD HAVE TO DISCUSS LOWER FIGURE WITH SWAK BUT CLEARLY INDICATED HE INTENDED TO SETTLE

ISSUE IN FASHION SATISFACTORY TO U.S. WE CHECKING FIGURES ON COTTON CONTRACTS NAM GAVE US WHICH DIFFERENT FROM OURS IN SOME SIGNIFICANT RESPECTS.

5. TEXTILE MEMORANDUM OF UNDERSTANDING. NAM WAS TOLD WE DISTUBED THAT TECHNICAL ERRORS IN MEMORANDUM OF UNDERSTANDING ON NEGOTIATIONS FOR ALL FIBER BILATERAL TEXTILE AGREEMENT HOLDING UP FORMAL EXCHANGE OF NOTES FOR NEW AGREEMENT. ASSISTANT SECRETARY HABIB POINTED OUT THAT KOREANS RISK LOSING NEW AGREEMENT THAT BASICALLY VERY FAVORABLE TO THEM. NAM SAID HE WOULD QUOTE PUT PRESSURE UNQUOTE ON FOREIGN MINISTRY NEGOTIATORS TO REACH AGREEMENT ON BASIS EARLIER US-KOREAN DISCUSSIONS.

6. EXIM: EXIM PRESIDENT CASEY TOLD NAM THAT EXIM BOARD HAD APPROVED \$78.9 MILLION LOAN AND \$105 MILLION LOAN GUARANTEE FOR KORI II NUCLEAR POWER PROJECT. LOAN HAS ALSO BEEN APPROVED BY NAC BUT REQUIRES CONGRESSIONAL CONCURRENCE AS WELL.

7. U.S.-KOREA ECONOMIC COUNCIL MEETING. AT COUNCIL MEETING NAM'S SPEECH AND PRESENTATIONS OF HIS TEAM IN COUNCIL SEMINAR ON ECONOMIC SITUATION WERE RELATIVELY WELL RECEIVED. UNEASY BANKERS HAD THEIR DOUBTS ON ECONOMIC SITUATION CONFIRMED, BUT WERE GENERALLY IMPRESSED BY FRANKNESS OF NAM GROUP, FACT KOREANS APPRECIATED PROBLEMS, AND KOREAN DETERMINATION TO OVERCOME DIFFICULTIES. MOST IN GROUP BELIEVED THAT NAM PRESENTED OVER-OPTIMISTIC ESTIMATE ON PROSPECTS FOR RECOVERY IN U.S AND JAPANESE ECONOMIES AND CONSEQUENT KOREAN EXPORT PROJECTIONS, BUT WERE WILLING LET THIS PASS.

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